

Current paradigm of ESG strategy in new geopolitical situation

Oksana Pokrovskaya^{1*}, *Maria Drozdova*¹, *Petr Kurenkov*², *Sergey Vakulenko*², and *Mikhail Karyshev*³

¹Emperor Alexander I St. Petersburg State Transport University, Moskovsky pr., 9, 190031, Saint Petersburg, Russia

²Russian University of Transport (MIIT), Ulitsa Obraztsova 9, bld.9, Moscow, Russia

³Samara State Transport University, ul. Svoboda, 2 V, Samara, Russia

Abstract. This article considers the formation of a new ESG agenda under the conditions of the springsanctions. In particular, an attempt has been made to answer the following questions: to what extent will changes in the geopolitical situation at the global level affect the ecological transformation of both the national economy of the Russian Federation and within regional international organizations? What will be the main formats of ESG - agenda realization on the international level? What are the prerequisites for ESG-concept implementation in Russian business community? The article contains analytical review of prerequisites and catalyst factors for the formation of a new model of development of ecologization of economy. It is established that as a result of the process of de-globalization of the world economy, the imposition of sanctions against Russia, the main vector of development of environmental initiatives remains the regional format of international integration organizations based on the principles of import substitution, digitalization, multivariate, comprehensiveness and quality. As a result of the study the potential shape of the paradigm of ESG agenda implementation in the medium term at the national and regional level is formulated.

1 Introduction

With the introduction of international sanctions, the concept of building a model of development of both national and global economies and individual companies based on the priority of environmental and social responsibility, the introduction of technologies, services and working methods is undergoing significant changes. In recent decades, many large multinational corporations have used the ESG approach both in building their business ecosystem and in selecting business partners, which has contributed to the wide spread of ESG practices among small and medium-sized businesses around the world.

For example, the Bank of Russia has developed and implemented at the national level an array of regulations based on ESG reporting standards that define the paradigm of green economy development in the medium term.

* Corresponding author: insight1986@inbox.ru

Adopted in 2021, Federal Law № 296 FZ "On limiting greenhouse gas emissions" required companies whose annual emissions exceed 150 thousand tons of CO equivalent², to provide annual carbon reporting.

Because of the contiguity of all major and emerging economies in the world, exporting companies are forced to comply with ESG principles as an important criterion for selecting a partner for long-term cooperation.

Many foreign researchers point to the coming tectonic changes in non-financial ESG reporting [7,8].

2 Materials and methods

In the implementation of the study the method of analytical review of the state of implementation of ESG-initiatives at the national and global level in the context of international sanctions was applied. The implementation of the concept of sustainable development in the era of Industry 4.0 is devoted to the works of such researchers as Glazyev S.Y., A.A. Aletdinova, G.I. Kurcheeva [1,2]. The authors have studied the impact of the digitalization of the economy on the environmental agenda and the possibility of its implementation within the framework of the seventh technological mode. However, in the short and medium term, deglobalization processes are likely to reduce both digitalization and the implementation of ESG-initiatives in general.

The statistical data of the Central Bank of Russia, RSPP, non-financial reports of companies, mass media materials formed the informational basis of the study. [1-8].

3 Results and discussion

The impact of Western countries' sanctions policy until 2022 did not have a significant impact in the medium term on both macroeconomic indicators of the Russian economy as a whole and the main drivers of the change in approach to the implementation of the ESG agenda were:

- increase in energy prices caused by the imposition of international sanctions against Russia,
- digitalization of all sectors of the economy,
- The deglobalization processes that have actually halted inter-state cooperation on many relevant issues, including ecology and sustainable development,
- Increased risk of nuclear threat caused by the unstable situation around nuclear infrastructure on Russian and Ukrainian territory.

The main obstacles to effective implementation of the ESG agenda are:

- deglobalization processes,
- The breakdown of effective communication at the interstate level,
- the return of developed economies, such as Germany, to the practice of using coal- and oil-fired power plants,
- shortage of cheap energy,

Based on the practice of the European Union and the UN Sustainable Development Goals as the main objectives in the field of energy and climate can be set such goals as:

- reduction of greenhouse gas emissions (20 to 40%)
- increasing the share of renewable energy sources,
- energy efficiency improvement.

The issue of non-financial reporting is important.

Back in 2004 the RSPP adopted the Social Charter of Russian Business (the latest edition of 2021) [5], which provides the formation of a corporate strategy for business development

based on ESG principles. Currently, more than 286 organizations from various sectors of the economy, with a combined number of employees of more than 10 million people, have joined the Charter.

The document points out the interdependence of entrepreneurial activity and business with the sustainable development of society and the state of the environment.

In 2007, the Social Charter was officially recognized as compliant with the UN Global Compact and the 2030 Agenda for Sustainable Development.

Thus, at present, despite the current geopolitical situation that led to the suspension of cooperation in various sectors, Russia has its own regulatory framework and mechanism for implementing the ESG agenda.

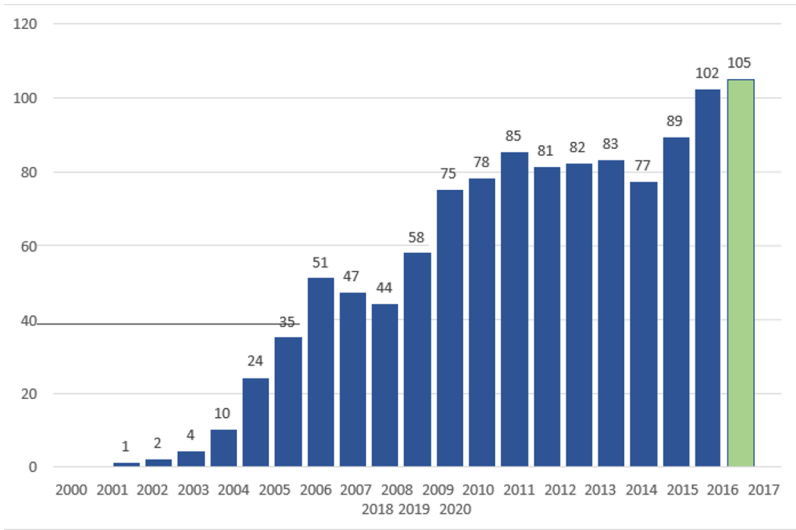


Fig. 1. Dynamics of publication of non-financial reports by Russian companies, based on the RSPP National Register [4].

Companies that have joined the charter provide reporting on the methodology of the RSPP, which allows both the companies themselves, and government agencies that monitor the effectiveness of ESG- practices to evaluate and measure the level of implementation of sustainable development principles in the development strategy of companies, individual industries and sectors, as well as the country as a whole.

Russia has developed a List of National SDG Indicators in accordance with UN General Assembly Resolution A/RES/71/313 of July 6, 2017 on the development of national sets of SDG indicators. The targets have been adjusted to take into account local specifics and national strategic priorities.

The sanctions imposed against Russia in 2022 and the virtual cessation of international cooperation have changed the structure and forms of interstate cooperation in the field of ESG. However, Russia's available experience and legislative framework in the field of sustainable development allow us to speak about the continuation of sustainable initiatives in the current geopolitical environment. However, it is undoubtedly international initiatives in this area that contribute to the achievement of the Sustainable Development Goals (SDGs).

It seems promising to develop regional cooperation on sustainable development as part of the development of integration processes in the region through the development of "soft law" - i.e., the adoption of framework, recommendatory international legal acts within the framework of international integration associations. On the one hand, the adoption of such documents, without obliging countries to strictly implement the provisions contained in them, is accompanied by the development of significant practical regulators and guidelines for the

development of interstate cooperation in a particular area.

A significant step was the roadmap adopted in 2021 for the implementation of a unified transport policy in the EAEU for 2021-2023. One of the most important tasks of the document was the harmonization of legislation in the transport and logistics industry, the integration of transport ecosystems of the member states, the introduction of electronic document management and digital services, the integrated development of international transport corridors in the Eurasian space. Given the fact that sustainable transport is one of the important SDGs, being the largest consumer of energy resources in the world economy, the joint implementation of the task of greening the industry is one of the main challenges in the field of ESG for the Union.

The program of harmonization and unification in the provision of EEC statistics for 2021-2025 laid the foundation for the creation of uniform criteria and principles of non-financial "green reporting". Unification of approaches to statistical reporting will allow for a comparative analysis of the achievements of member states and adjust the region-wide strategy for achieving the SDGs.

EEU member countries have adopted sustainable development strategies at the national level. For example, Kazakhstan has a Strategic Development Plan until 2025, focused on the UN SDGs. In Belarus, the National Strategy for Sustainable Socio-Economic Development until 2030 has been implemented since 2017.

At the same time, Russia, Belarus and Kazakhstan are on the list of countries with a very high human development index.

Considering that the innovative aspect of economic development is one of the drivers of the implementation of the sustainable development agenda, we note that in the WIPO Global Innovation Index in 2022 Russia ranked 47th, it seems that the development potential of the mentioned sphere has not yet reached its maximum indicators. However, taking into account external factors, it seems that it is within the regional context that the region's innovation potential can gain significant growth in the medium term.

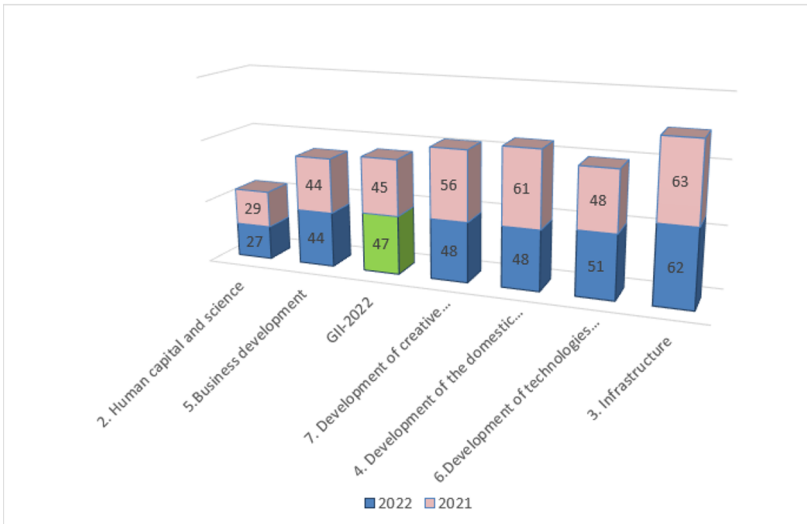


Fig. 2. Position of Russia in the Global Innovation Index 2022 [3].

In the future, in order to form an actual paradigm of ESG-strategy implementation in the current geopolitical situation, the following trend should be taken into account. Almost by each of the tracks of ESG-paradigm forms a new topical agenda. The relevance of each factor is conditioned by the following prerequisites (drivers): 1) S-factor, gaining relevance with worsening economic problems, rising energy and food prices, growing inequality and high

level of debt of developing countries, 2) E-factor, whose focus is shifting from combating climate change to adaptation to these changes, 3) G-factor, determining the assessment of geopolitical and country risks.

On the one hand, the expansion of cross-border cooperation beyond the EAEU integration space, namely participation in the free trade zone with the CIS, Vietnam, and China, as well as the expansion of cooperation with the BRICS countries and the SCO, and the development of the Chinese Silk Road concept open up broad prospects for the creation, even if initially in the "soft law" format, of a common Eurasian concept of sustainable development.

However, on the other hand, the so-called "sanctions shock," which determines the development of the economies of Russia and Belarus (about 90% of the EAEU GDP), leads to rather disappointing forecasts for 2022. For example, the Russian Ministry of Economic Development predicts that the volume of EEU GDP may decline by at least 7.8%.

Experts also note the growing risks of global stagflation amid a significant decline in exports of Russian energy carriers and a spike in oil and gas prices. Such acceleration of geopolitical risks is expected to contribute to a decrease in private sector confidence and an increase in risk premiums on financial markets.

"These reductions in consumer spending and investment demand on the part of businesses. In particular, according to UN forecasts, this will lead to a significant reduction in raw material exports and have a negative impact on the balance of payments of EAEU members. There are risks associated with the aggravation of internal structural problems and the EAEU lagging behind the intensity of global economic growth.

Despite the fact that the established political, trade and economic relations among the EAEU member states may break down at a moment's notice under the conditions of geopolitical and sanctions changes, the EAEU as an institution of deep economic integration provides participants with an opportunity to activate local production, organize alternative logistical systems of commodity exchange, and participate on equal terms in decision-making on integration and settlement of disputable issues in the development of the EAEU space.

It is obvious that it is impossible to radically reorient the existing logistical supply chains, above all, given the existence of long-term contracts and a number of infrastructural constraints. The share of Russian participation in the EU oil and gas imports is now 48% and 44% respectively, the nearest alternative supplier, Norway, is able to implement the delivery of two or three times less volume. For the resource provision of the energy transition, obviously, the world community in conditions of deglobalization, one way or another, will have to find a compromise with the use of new practices of "impact business" (ESG-tools). The importance of Eurasian cooperation in the near future will be manifested in the strengthening of monitoring and control of ESG parameters, as well as in the construction of flexible supply systems with the connection of regional transport and logistics infrastructure, which will contribute, in turn, to the localization of regional cooperation in building alternative logistics routes to ensure energy balance, commodity exchange and sustainable transport and logistics development in the EAEU space.

Development and implementation of a specialized ESG-certification system and a digital ESG- platform should be considered one of the effective tools to improve interaction in the EAEU. Such a tool will make it possible to implement communication between the EEU member states and ESG solution providers. The possibility of obtaining a rating score will be created, as well as the possibility of implementing applied regional solutions for all ESG-tracks.

The ESG agenda should be considered as a long-term benchmark in the assessment of transport and logistics systems operating in the EAEU space, not only in terms of financial reliability, but also in terms of ESG risks.

It can be stated that the trend is the growth of initiatives in the field of ESG-regulation on decarbonization and climate investments. Agreements to follow ESG principles will allow

the formation of a sustainable architecture of interaction within the framework of "green" supplies in the EAEU space, as well as increase the transparency of actions of member states under common rules. The ESG agenda for modern business in the EAEU space is not only social responsibility and "goodwill", but also the most important driver of fundamental sustainability and profitability.

4 Conclusion

In the context of deglobalization trends and regionalization of cooperation, the most likely paradigm for the implementation of the ESG agenda is the example of the EU strategy "Sustainable Europe 2030". [6]. This political-economic development strategy of the European Union for the first time uses the UN Sustainable Development Goals as a normative basis. The adopted specific EU action plans, international agreements and horizontal mechanisms include the implementation of the SDGs. It appears that the adoption of a similar strategy within the framework of Eurasian cooperation is in the medium term. The documents of the EAEU and other regional international organizations should also set specific, measurable goals and objectives in all strategic areas: economic, social, environmental and governance. At the same time, it is the development of "soft law" regional international organizations, such as the EAEU, that seems to be the most promising tool for the implementation of ESG-initiatives in the current geopolitical situation.

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